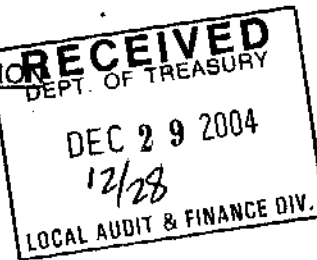


CITY OF WHITE CLOUD
Newaygo County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended June 30, 2004

62-2030



AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

| | | | |
|--|--|--|--------------------------|
| Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other | | Local Government Name City of White Cloud | County Newaygo |
| Audit Date June 30, 2004 | Opinion Date October 1, 2004 | Date Accountant Report Submitted to State: October 1, 2004 | |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised **DEC 29 2004**
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

| We have enclosed the following: | Enclosed | To Be Forwarded | Not Required |
|---|----------|-----------------|--------------|
| The letter of comments and recommendations. | X | | |
| Reports on individual federal financial assistance programs (program audits). | | | X |
| Single Audit Reports (ASLGU). | | | X |

| | | | |
|--|-------------------------|--------------------|---------------------|
| Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C. | | | |
| Street Address 512 N. Lincoln, Suite 100, P.O. Box 686 | City Bay City | State MI | Zip 48707 |
| Accountant Signature Campbell, Kusterer & Co., P.C. | | | |

CITY OF WHITE CLOUD
Newaygo County, Michigan

TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| Independent Auditors' Report | 1 |
| Management's Discussion and Analysis | 2-5 |
| Basic Financial Statements: | |
| Government-wide Financial Statements: | |
| Government-wide Statement of Net Assets | 6 |
| Government-wide Statement of Activities | 7 |
| Fund Financial Statements: | |
| Governmental Funds: | |
| Balance Sheet | 8 |
| Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Assets | 9 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances | 10-11 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 12 |
| Proprietary Funds: | |
| Statement of Net Assets | 13 |
| Statement of Revenues, Expenses and Changes in Net Assets | 14 |
| Statement of Cash Flows | 15 |
| Notes to Financial Statements | 16-26 |
| Required Supplemental Information: | |
| Budgetary Comparison Schedule – General Fund | 27 |
| Budgetary Comparison Schedule – Major Street Fund | 28 |
| Budgetary Comparison Schedule – Improvement Revolving Fund | 29 |
| Other Supporting Information: | |
| General Fund Expenditures by Detailed Account | 30-32 |
| Combining Balance Sheet – All Special Revenue Funds | 33 |

CITY OF WHITE CLOUD
Newaygo County, Michigan

TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances – All Special Revenue Funds | 34 |
| Statement of Changes in Assets and Liabilities – Agency Fund | 35 |
| Report of Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards | 36 |

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

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BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

INDEPENDENT AUDITOR'S REPORT

October 1, 2004

To the City Council
City of White Cloud
Newaygo County, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of City of White Cloud, Newaygo County, Michigan as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of White Cloud's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund of the City of White Cloud, Newaygo County, Michigan as of June 30, 2004, and the respective changes in financial position and cash flows where applicable, of these activities and funds, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of July 1, 2003.

In accordance with Government Auditing Standards, we have also issued our report dated October 1, 2004, on our consideration of the City of White Cloud's internal control over financial reporting and on tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the City's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

CITY OF WHITE CLOUD
Newaygo County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2004

This section of the City of White Cloud's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2004. Please read it in conjunction with the financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net Assets at June 30, 2004, totaled approximately \$3,295,744.00 for governmental activities and \$604,412.00 for business-type activities. Of these totals, approximately \$2,912,060.00 and \$317,607.00 respectively, represent capital assets net of depreciation and related debt. Overall, net assets decreased by approximately \$7,702.00 from the prior year.

Overall revenues were approximately \$1,180,828.00. Overall expenses approximated \$1,188,529.00.

The tax base increased by six percent (6%).

We did not incur any new debt during the year.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the City and the notes to the financial statements.

The first two statements are City wide financial statements and provide both long and short-term information about our overall financial status. These statements present government activities and/or business type activities.

The remaining statements are fund financial statements, which focus on individual parts of the City in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the entity as a whole using accounting methods used by private companies. The statement of net assets includes all of the entity's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

CITY OF WHITE CLOUD
Newaygo County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2004

ENTITY-WIDE FINANCIAL STATEMENTS (continued)

Most of the activities of the City are reported as governmental activities. These would include the General Fund, Cemetery Fund, Park Fund, Major Street Fund, Local Street Fund, Public Safety Fund and the Motor Pool Fund. Some activities such as the Water Fund are treated as business activities where the revenues of the activity are designed to pay for the operations of the activity.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the City's funds, focusing on significant (major) funds not the City as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The City Council also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental Funds: Most of the City's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the City's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The City's governmental funds include: General, Major Street, Local Street, Cemetery and White Cloud City Park.

Proprietary Funds: These funds represent activities in the government, which are basically treated like private sector companies. These funds are designed to have revenues earned adequate to pay for the operations of the activity. These funds are presented on a full accrual method and will show no difference between the City's government-wide statements and fund statements presentation. The City's proprietary funds include: Water and Equipment.

Fiduciary Funds: The City is a trustee or fiduciary for assets that belong to others. The City maintains these funds and is responsible for insuring that the assets of these activities are spent for their intended purpose and at the direction of those individuals/organizations to whom the funds belong. These activities do not appear in the City's government-wide financial statements since the assets do not belong to the City. The City maintains an Agency Fund in this category.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets: The City's combined net assets decreased approximately \$7,702.00 during the year ended June 30, 2004, totaling \$3,900,156.00.

The decrease is mainly due to the purchase of capital asset items, such as: cameras for the patrol cars, new counters and carpeting for city offices, paving of Newell Street, water system improvements, and completion of the White Cloud Industrial Park.

Governmental Activities: The net assets for governmental activities decreased approximately \$1,177.00 due largely to contributions made to the City from the County and the Downtown Development Authority. These entities have assisted with the expense of water improvements and the paving of Newell Street.

Business-Type Activities: The net assets for business-type activities decreased approximately \$6,525.00.

CITY OF WHITE CLOUD
Newaygo County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2004

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

General Fund: This fund is used to record all activities of the City not required to be recorded in a separate fund. This would include parks, zoning, dam, building and grounds, legislative, administrative, elections, and public safety. The major source of revenue for the general fund is from the City tax base and the revenue sharing from the State of Michigan. The major expenses for this fiscal year include the upgrades to the City offices with new counters and carpeting and computer upgrades.

Major Streets: This fund is used to record revenues and expenses for major streets located within the City. The major source of revenue comes from the State of Michigan in the form of Act 51 funding. This fund also records contributions from other entities contributing to paving projects. The major expense for this fund is construction of new paving projects and maintenance and snow removal.

Local Streets: This fund is used to record revenues and expenses for local streets within the City. Local street revenue comes from the State of Michigan in the form of Act 51 funding. This fund also records contributions from property owners who have been special assessed for improvements. The major expense for this fund is construction of new paving projects and maintenance and snow removal.

Cemetery Fund: The major source of revenue is from the sale of cemetery plots and openings for burials. The expenses incurred are for maintenance.

White Cloud City Park Fund: This fund is used to record revenues from the percentage of the activities of the campground. The expenses incurred are for maintenance and upgrades. This year expenses included the development of a master plan for the park and some electrical upgrades for several sites.

Water Fund: This fund is used to record revenues and expenses for the City water system. The revenues come from user charges and the expenses are incurred for operation and maintenance. The City reviewed the water charges and made only one minor change in hook-up fees due to the stability of the water fund. Some major capital improvement projects have added to the reliability of the City water system including extension of water lines in the new Industrial Park; water system improvements on Newell Street; and other projects still in process, such as M-20 water line improvements.

Internal Service (Equipment Fund): This is used to record the operation of the fleet and major equipment. The primary source of revenue comes from equipment rental fees charged to the other funds of the City. The primary expenses are accrued from the operations and maintenance of equipment and vehicles.

Improvement Revolving Fund: This fund is used to record the major capital improvement projects. This fund was used this fiscal year to fund the completion of the White Cloud Industrial Park. Revenues came from a grant from the EDA (Federal Economic Development Authority); a loan/grant for MEDC (State Economic Development Corporation); and a grant from USDA (Federal United States Department of Agriculture, Rural Development). The project was completed during the fiscal year. This fund will now be replaced with the LDFA (Local Development Financing Authority) to administer funds from the sales of land, tax revenues, and loan repayment.

Downtown Development Authority: This component unit is used to record the activities and projects of the DDA. Revenues are from the TIFA (Tax Increment Financing Agreement) from capture of increased tax revenues of certain properties from the City of White Cloud, Newaygo County and the White Cloud District Library.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Additions to City's governmental fund capital assets for this year totaled \$14,474.00 and included new video cameras in the police vehicles, new counters and carpeting in the office building and computer upgrades. The City also completed the paving of Newell Street, water system improvement of \$15,982.00 and completion of the White Cloud Industrial Park.

CITY OF WHITE CLOUD
Newaygo County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2004

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY (continued)

Long-term Debt:

Water System Bond Issue: The bond issue payments for this fiscal year totaled \$29,100.00 (\$19,500.00 principal and \$9,600.00 interest).

Loan Payable – MEDC: The loan agreement will grant credits for job creation; however, at this time the Industrial Park has no business located in the park. Payments will begin in June of 2005.

Notes payable on a dump truck and an auto with principal payments of \$5,394.00 and \$4,814.00.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The City's plans for the future include street and water system improvements to Wilcox Street from M-37 to Barton Street. In addition, if grant funds are awarded, an enhanced streetscape project from M-37 to North Street would be a part of this project. The City is committed to constructing new sidewalks, repairing existing sidewalks and continually working to improve the water system.

CONTACTING THE CITY'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the City's finances and to demonstrate the City's accountability for the revenues it receives. If you have any questions concerning this report please contact Kay Haven, City Clerk, or Bob Baldwin, City Mayor, by calling 231-689-1194 during the hours of 8 am to 5 pm, Monday through Friday.

CITY OF WHITE CLOUD
Newaygo County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
June 30, 2004

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> | <u>Component Unit</u> |
|--|------------------------------------|-------------------------------------|---------------------|---------------------------|
| ASSETS: | | | | |
| CURRENT ASSETS: | | | | |
| Petty cash | 25 00 | - | 25 00 | - |
| Cash in bank | 273 041 15 | 145 911 86 | 418 953 01 | 15 191 78 |
| Investments | 100 365 73 | 72 744 76 | 173 110 49 | - |
| Due from State of Michigan | 42 155 09 | 67 713 23 | 109 868 32 | - |
| Inventory | - | 3 407 63 | 3 407 63 | - |
| Total Current Assets | <u>415 586 97</u> | <u>289 777 48</u> | <u>705 364 45</u> | <u>15 191 78</u> |
| NONCURRENT ASSETS: | | | | |
| Capital Assets | 3 753 829 78 | 1 925 255 65 | 5 679 085 43 | 33 745 23 |
| Less: Accumulated Depreciation | (539 793 86) | (859 148 28) | (1 398 942 14) | (490 53) |
| Total Noncurrent Assets | <u>3 214 035 92</u> | <u>1 066 107 37</u> | <u>4 280 143 29</u> | <u>33 254 70</u> |
| TOTAL ASSETS | <u>3 629 622 89</u> | <u>1 355 884 85</u> | <u>4 985 507 74</u> | <u>48 446 48</u> |
| LIABILITIES AND NET ASSETS: | | | | |
| LIABILITIES: | | | | |
| CURRENT LIABILITIES: | | | | |
| Accrued compensated absences | 14 464 82 | 2 973 18 | 17 438 00 | - |
| Total Current Liabilities | <u>14 464 82</u> | <u>2 973 18</u> | <u>17 438 00</u> | <u>-</u> |
| NONCURRENT LIABILITIES: | | | | |
| Notes payable | 20 862 23 | - | 20 862 23 | - |
| Loan payable | 281 113 96 | - | 281 113 96 | - |
| Bonds payable | - | 748 500 00 | 748 500 00 | - |
| Accrued compensated absences | 17 438 04 | - | 17 438 04 | - |
| Total Noncurrent Liabilities | <u>319 414 23</u> | <u>748 500 00</u> | <u>1 067 914 23</u> | <u>-</u> |
| Total Liabilities | <u>333 879 05</u> | <u>751 473 18</u> | <u>1 085 352 23</u> | <u>-</u> |
| NET ASSETS: | | | | |
| Invested in Capital Assets, Net of Related Debt | 2 912 059 73 | 317 607 37 | 3 229 667 10 | 33 254 70 |
| Restricted | - | 33 447 37 | 33 447 37 | - |
| Unrestricted | 383 684 11 | 253 356 93 | 637 041 04 | 15 191 78 |
| Total Net Assets | <u>3 295 743 84</u> | <u>604 411 67</u> | <u>3 900 155 51</u> | <u>48 446 48</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>3 629 622 89</u> | <u>1 355 884 85</u> | <u>4 985 507 54</u> | <u>48 446 48</u> |

The accompanying notes are an integral part of these financial statements.

CITY OF WHITE CLOUD
Newaygo County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended June 30, 2004

| FUNCTIONS/PROGRAMS | <u>Expenses</u> | <u>Program Revenue</u> | | <u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u> |
|--------------------------------|-----------------|---------------------------------|--|--|
| | | <u>Charges for Services</u> | <u>Capital Grants/ Contributions</u> | |
| Governmental Activities: | | | | |
| Legislative | 13 086 79 | - | - | (13 086 79) |
| General government | 419 057 77 | 34 257 71 | 174 258 29 | (210 541 77) |
| Public safety | 187 418 82 | 10 461 08 | - | (176 957 74) |
| Public works | 327 516 86 | 67 717 26 | - | (259 799 60) |
| Recreation and culture | 25 415 85 | 5 021 39 | - | (20 394 46) |
| Total Governmental Activities | 972 496 09 | 117 457 44 | 174 258 29 | (680 780 36) |
| Business-Type Activities: | | | | |
| Water | 216 032 81 | 208 201 72 | - | - |
| Total Business-Type Activities | 216 032 81 | 208 201 72 | - | - |
| Total Primary Government | 1 188 528 90 | 325 659 16 | 174 258 29 | (680 780 36) |
| Component Unit | 58 310 75 | - | - | |
| General Revenues: | | | | |
| Property taxes | | | | 261 500 30 |
| State revenue sharing | | | | 300 100 98 |
| Interest | | | | 4 334 56 |
| Miscellaneous | | | | 113 668 27 |
| Total General Revenues | | | | 679 604 11 |
| Change in net assets | | | | (1 176 25) |
| Net assets, beginning of year | | | | 3 296 920 09 |
| Net Assets, End of Year | | | | 3 295 743 84 |

The accompanying notes are an integral part of these financial statements.

| <u>Business-Type Activities</u> | <u>Total</u> | |
|--|--|---------------------------|
| <u>Net (Expense) Revenue and Changes in Net Assets</u> | <u>Net (Expense) Revenue and Changes in Net Assets</u> | <u>Component Unit</u> |
| - | (13 086 79) | - |
| - | (210 541 77) | - |
| - | (176 957 74) | - |
| - | (259 799 60) | - |
| - | (20 394 46) | - |
| - | (680 780 36) | - |
| (7 831 09) | (7 831 09) | - |
| (7 831 09) | (7 831 09) | - |
| (7 831 09) | (688 611 45) | - |
| | | (58 310 75) |
| - | 261 500 30 | 48 504 05 |
| - | 300 100 98 | - |
| 1 305 84 | 5 640 40 | 666 61 |
| - | 113 668 27 | - |
| 1 305 84 | 680 909 95 | 49 170 66 |
| (6 525 25) | (7 701 50) | (9 140 09) |
| 610 936 92 | 3 907 857 01 | 57 586 57 |
| 604 411 67 | 3 900 155 51 | 48 446 48 |

CITY OF WHITE CLOUD
Newaygo County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2004

| | <u>General</u> | <u>Major Street</u> | <u>Improvement Revolving</u> | <u>Other Funds</u> | <u>Total</u> |
|------------------------------------|-------------------|---------------------|----------------------------------|------------------------|-------------------|
| <u>Assets</u> | | | | | |
| Cash in bank | 196 975 60 | 33 167 62 | - | 24 057 27 | 254 200 49 |
| Investments | 24 300 18 | 33 167 63 | - | 24 057 26 | 81 525 07 |
| Petty cash | 25 00 | - | - | - | 25 00 |
| Due from State of Michigan | <u>21 443 00</u> | <u>14 842 55</u> | <u>-</u> | <u>5 869 54</u> | <u>42 155 09</u> |
| Total Assets | <u>242 743 78</u> | <u>81 177 80</u> | <u>-</u> | <u>53 984 07</u> | <u>377 905 65</u> |
| <u>Liabilities and Fund Equity</u> | | | | | |
| Liabilities: | | | | | |
| Accrued compensated absences | <u>9 124 77</u> | <u>3 685 36</u> | <u>-</u> | <u>1 654 69</u> | <u>14 464 82</u> |
| Total liabilities | <u>9 124 77</u> | <u>3 685 36</u> | <u>-</u> | <u>1 654 69</u> | <u>14 464 82</u> |
| Fund equity: | | | | | |
| Fund balances: | | | | | |
| Unreserved: | | | | | |
| Undesignated | <u>233 619 01</u> | <u>77 492 44</u> | <u>-</u> | <u>52 329 38</u> | <u>363 440 83</u> |
| Total fund equity | <u>233 619 01</u> | <u>77 492 44</u> | <u>-</u> | <u>52 329 38</u> | <u>363 440 83</u> |
| Total Liabilities and Fund Equity | <u>242 743 78</u> | <u>81 177 80</u> | <u>-</u> | <u>53 984 07</u> | <u>377 905 65</u> |

The accompanying notes are an integral part of these financial statements.

CITY OF WHITE CLOUD
Newaygo County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

June 30, 2004

| | |
|---|---------------------|
| TOTAL FUND BALANCES – GOVERNMENTAL FUNDS | 363 440 83 |
| Amounts reported for governmental activities in the statement of net assets are different because – | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet: | |
| Capital assets at cost | 3 753 829 78 |
| Accumulated depreciation | (539 793 86) |
| Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the government funds: | |
| Notes payable | (20 862 23) |
| Loan payable | (281 113 96) |
| Accrued compensated absences | (17 438 04) |
| The internal service fund is used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net assets. | |
| Add net assets of governmental activities accounted for in the internal service fund net of capital assets and long-term debt which are included above | 37 681 32 |
| TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES | <u>3 295 743 84</u> |

The accompanying notes are an integral part of these financial statements.

CITY OF WHITE CLOUD
Newaygo County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year ended June 30, 2004

| | <u>General</u> | <u>Major Street</u> | <u>Improvement Revolving</u> | <u>Other Funds</u> | <u>Total</u> |
|----------------------------|-------------------|---------------------|----------------------------------|------------------------|-------------------|
| Revenues: | | | | | |
| Property taxes | 261 500 30 | - | - | - | 261 500 30 |
| Licenses and permits | 1 943 75 | - | - | - | 1 943 75 |
| State revenue sharing | 177 096 26 | 88 468 47 | - | 34 536 25 | 300 100 98 |
| Federal grants | - | - | 174 258 29 | - | 174 258 29 |
| Charges for services | 16 733 37 | - | - | 10 901 39 | 27 634 76 |
| Fines and forfeits | 6 061 67 | - | - | - | 6 061 67 |
| Interest | 3 455 38 | 473 40 | - | 405 78 | 4 334 56 |
| Rents | 14 100 00 | - | - | - | 14 100 00 |
| Special assessments | - | - | - | 5 936 00 | 5 936 00 |
| Miscellaneous | 113 668 27 | 61 781 26 | - | - | 175 449 53 |
| Total revenues | <u>594 559 00</u> | <u>150 723 13</u> | <u>174 258 29</u> | <u>51 779 42</u> | <u>971 319 84</u> |
| Expenditures: | | | | | |
| Legislative: | | | | | |
| City Council and Mayor | 13 086 79 | - | - | - | 13 086 79 |
| General government: | | | | | |
| Elections | 1 562 52 | - | - | - | 1 562 52 |
| Assessor | 9 255 36 | - | - | - | 9 255 36 |
| Building and grounds | 46 987 33 | - | 218 309 74 | - | 265 297 07 |
| Manager and Clerk | 75 884 52 | - | - | - | 75 884 52 |
| Board of Review | 951 41 | - | - | - | 951 41 |
| Treasurer | 20 604 51 | - | - | - | 20 604 51 |
| Public relations | 10 927 68 | - | - | - | 10 927 68 |
| Cemetery | - | - | - | 5 663 52 | 5 663 52 |
| Unallocated | 23 436 72 | - | - | - | 23 436 72 |
| Public safety: | | | | | |
| Police protection | 144 153 81 | - | - | - | 144 153 81 |
| Fire protection | 21 609 91 | - | - | - | 21 609 91 |
| Zoning | 9 876 73 | - | - | - | 9 876 73 |
| Public works: | | | | | |
| Department of Public Works | 97 503 15 | - | - | - | 97 503 15 |
| Dam | 84 00 | - | - | - | 84 00 |
| Highways and streets | - | 161 914 48 | - | 36 388 39 | 198 302 87 |
| Airport | 2 865 00 | - | - | - | 2 865 00 |
| Recreation and culture: | | | | | |
| Parks and recreation | 18 318 85 | - | - | 7 097 00 | 25 415 85 |
| Capital outlay | 11 275 25 | - | - | - | 11 275 25 |
| Total expenditures | <u>508 383 54</u> | <u>161 914 48</u> | <u>218 309 74</u> | <u>49 148 91</u> | <u>937 756 67</u> |

The accompanying notes are an integral part of these financial statements.

CITY OF WHITE CLOUD
Newaygo County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended June 30, 2004

| | <u>General</u> | <u>Major Street</u> | <u>Improvement Revolving</u> | <u>Other Funds</u> | <u>Total</u> |
|--|-------------------|---------------------|----------------------------------|------------------------|-------------------|
| Excess (deficiency) of revenues over expenditures | <u>86 175 46</u> | <u>(11 191 35)</u> | <u>(44 051 45)</u> | <u>2 630 51</u> | <u>33 563 17</u> |
| Other financing sources (uses): | | | | | |
| Loan proceeds | <u>-</u> | <u>-</u> | <u>36 191 96</u> | <u>-</u> | <u>36 191 96</u> |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>36 191 96</u> | <u>-</u> | <u>36 191 96</u> |
| Excess (deficiency) of revenues and other sources over expenditures and other uses | <u>86 175 46</u> | <u>(11 191 35)</u> | <u>(7 859 49)</u> | <u>2 630 51</u> | <u>69 755 13</u> |
| Fund balances, July 1 | <u>147 443 55</u> | <u>88 683 79</u> | <u>7 859 49</u> | <u>49 698 87</u> | <u>293 685 70</u> |
| Fund Balances, June 30 | <u>233 619 01</u> | <u>77 492 44</u> | <u>-</u> | <u>52 329 38</u> | <u>363 440 83</u> |

The accompanying notes are an integral part of these financial statements.

CITY OF WHITE CLOUD
Newaygo County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended June 30, 2004

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 69 755 13

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation

| | |
|----------------------|-------------|
| Depreciation Expense | (41 623 56) |
| Capital Outlay | 11 275 25 |

Receipt of debt principal in the form of loan proceeds is a financing source in the governmental funds, the receipt does not have an effect in the statement of activities but does increase the debt balance in the statement of net assets

| | |
|--------------------------------------|-------------|
| Principal receipts on long-term debt | (36 191 96) |
|--------------------------------------|-------------|

The internal service fund is used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.

| | |
|---|-------------------|
| Add: net operating income (loss) from governmental activities accounted for in the internal service fund. | <u>(4 391 11)</u> |
|---|-------------------|

| | |
|---|-------------------|
| CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES | <u>(1 176 25)</u> |
|---|-------------------|

The accompanying notes are an integral part of these financial statements.

CITY OF WHITE CLOUD
Newaygo County, Michigan

STATEMENT OF NET ASSETS – ALL PROPRIETARY FUNDS
June 30, 2004

| | <u>Proprietary Fund Types</u> | |
|---|-------------------------------|-----------------------------|
| | <u>Enterprise - Water</u> | <u>Internal Service</u> |
| <u>Assets</u> | | |
| Cash in bank | 145 911 86 | 18 840 66 |
| Investments | 72 744 76 | 18 840 66 |
| Accounts receivable | 67 713 23 | - |
| Inventory | 3 407 63 | - |
| Construction in progress | 45 746 57 | - |
| Water system | 1 879 509 08 | 314 054 53 |
| Accumulated depreciation | (859 148 28) | (248 086 07) |
| Total Assets | <u>1 355 884 85</u> | <u>103 649 78</u> |
| <u>Liabilities and Net Assets</u> | | |
| Liabilities: | | |
| Notes payable | - | 20 862 23 |
| Bonds payable | 748 500 00 | - |
| Accrued compensated absences | 2 973 18 | - |
| Total liabilities | <u>751 473 18</u> | <u>20 862 23</u> |
| Net assets: | | |
| Invested in capital assets, net of related debt | 317 607 37 | 45 106 23 |
| Restricted | 33 447 37 | - |
| Unrestricted | <u>253 356 93</u> | <u>37 681 32</u> |
| Total net assets | <u>604 411 67</u> | <u>82 787 55</u> |
| Total Liabilities and Net Assets | <u>1 355 884 85</u> | <u>103 649 78</u> |

The accompanying notes are an integral part of these financial statements.

CITY OF WHITE CLOUD
Newaygo County, Michigan

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS – ALL PROPRIETARY FUNDS
Year ended June 30, 2004

| | <u>Proprietary Fund Types</u> | |
|--|-------------------------------|-----------------------------|
| | <u>Enterprise - Water</u> | <u>Internal Service</u> |
| Operating revenues: | | |
| Service charges | 202 881 52 | 38 400 00 |
| Penalties | 4 402 42 | - |
| Miscellaneous | <u>917 78</u> | <u>-</u> |
| Total operating revenues | <u>208 201 72</u> | <u>38 400 00</u> |
| Less operating expenses: | | |
| Wages | 46 183 25 | - |
| Fringe benefits | 15 250 53 | - |
| Operating supplies | 3 343 27 | 4 176 62 |
| Professional fees | 24 199 68 | - |
| Insurance | 4 000 00 | 1 000 00 |
| Utilities | 18 601 38 | - |
| Repairs and maintenance | 20 861 80 | 9 119 19 |
| Equipment rental | 11 000 00 | - |
| Miscellaneous | <u>2 207 58</u> | <u>-</u> |
| Total operating expenses before depreciation | <u>145 647 49</u> | <u>14 295 81</u> |
| Operating income before depreciation | 62 554 23 | 24 104 19 |
| Less: depreciation | <u>(51 429 07)</u> | <u>(26 815 77)</u> |
| Operating income (loss) | <u>11 125 16</u> | <u>(2 711 58)</u> |
| Non-operating income (expense): | | |
| Interest earnings | 1 305 84 | 333 11 |
| Interest expense | <u>(18 956 25)</u> | <u>(2 012 64)</u> |
| Net non-operating income (expense) | <u>(17 650 41)</u> | <u>(1 679 53)</u> |
| Net income (loss) | (6 525 25) | (4 391 11) |
| Net assets, beginning of year | <u>610 936 92</u> | <u>87 178 66</u> |
| Net Assets, End of Year | <u>604 411 67</u> | <u>82 787 55</u> |

The accompanying notes are an integral part of these financial statements.

CITY OF WHITE CLOUD
Newaygo County, Michigan

STATEMENT OF CASH FLOWS – ALL PROPRIETARY FUNDS
Year ended June 30, 2004

| | <u>Proprietary Fund Types</u> | |
|---|-------------------------------|-----------------------------|
| | <u>Enterprise - Water</u> | <u>Internal Service</u> |
| Cash flows from operating activities: | | |
| Cash received from customers | 208 096 42 | 38 400 00 |
| Cash payments to suppliers for goods and services | (99 464 24) | (14 295 81) |
| Cash payments to employees for services | (47 437 47) | - |
| Net cash provided (used) for operating activities | <u>61 194 71</u> | <u>24 104 19</u> |
| Cash flows from non-capital financing activities: | | |
| Net borrowings (repayments) with other funds | (29 765 00) | - |
| Net cash provided (used) for non-capital financing activities | <u>(29 765 00)</u> | <u>-</u> |
| Cash flows from capital and related financing activities: | | |
| Acquisition of fixed assets | (15 981 57) | (3 199 00) |
| Payment of principal on long-term debt | (19 500 00) | (24 074 48) |
| Payment of interest on long-term debt | (18 956 25) | (2 012 64) |
| Net cash provided (used) for capital and related financing activities | <u>(54 437 82)</u> | <u>(29 286 12)</u> |
| Cash flows from investing activities: | | |
| Interest income | 1 305 84 | 333 11 |
| Net cash provided (used) for investing activities | <u>1 305 84</u> | <u>333 11</u> |
| Net increase (decrease) in cash and cash equivalents | (21 702 27) | (4 848 82) |
| Cash and cash equivalents, July 1 | <u>240 358 89</u> | <u>42 530 14</u> |
| Cash and Cash Equivalents, June 30 | <u>218 656 62</u> | <u>37 681 32</u> |
| Reconciliation of operating income to net cash provided (used) for operating activities: | | |
| Operating income (loss) | 11 125 16 | (2 711 58) |
| Depreciation | 51 429 07 | 26 815 77 |
| Increase (decrease) in assets and liabilities: | | |
| Accounts receivable | (105 30) | - |
| Accrued compensated absences | (1 254 22) | - |
| Net Cash Provided (Used) for Operating Activities | <u>61 194 71</u> | <u>24 104 19</u> |

The accompanying notes are an integral part of these financial statements.

CITY OF WHITE CLOUD
Newaygo County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the City of White Cloud, Newaygo County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the City contain all the funds and component units that are controlled by or dependent on the City's executive or legislative branches.

The reporting entity is the City of White Cloud. The City is governed by an elected City Council and Mayor. As required by generally accepted accounting principles, these financial statements present the City as the primary government. The component unit disclosed below is discretely presented in the City's reporting entity due to the significance of the City's operational and financial relationship's with the component unit.

Component Unit

The Downtown Development Authority is reported as a discretely presented component unit within the reporting entity of the City. It is reported in a separate column to emphasize that it is legally separate from the City. The members of the governing board of the component unit are appointed by the City. The component unit is fiscally dependent on the City.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental and business-type funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

CITY OF WHITE CLOUD
Newaygo County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Joint Ventures

The City and the Township of Sherman jointly form the White Cloud Sherman Utility Authority to provide sewer services for the two entities. The City has guaranteed 26.4% of the sewer system bonded debt. Total outstanding bonded debt at June 30, 2003, the latest available information, is \$892,500.00. The City's potential responsibility is \$235,620.00. This amount has not been recorded as a liability of the City.

The City and the Township's of Everett, Lincoln, Sherman and Wilcox jointly operate the White Cloud Area Fire Department to provide fire protection services for the five entities. For the fiscal year ended March 31, 2004, the City provided \$21,609.91 to the Fire District which represented 14.6% of its operating revenue. As of March 31, 2004, the general long-term debt of the Fire District was \$0.

The joint ventures of the City are not considered a part of the reporting entity of the City. Separate financial statements of the joint ventures may be obtained directly from them.

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Proprietary Funds

Water Fund

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water enterprise fund are charges to customers for services. The enterprise fund also recognizes as operating revenues the tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF WHITE CLOUD
Newaygo County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Internal Service Fund

The Equipment Fund is used to record the financing of goods or services provided by the local unit to other departments and funds or to other governmental units on a cost reimbursements basis.

Fiduciary Fund

The Agency Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the City. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventory is recorded in the Water Fund at the lower of cost or market, with cost determined on a first-in, first-out (FIFO) basis. All purchases for materials are reflected in expenses when paid in other funds.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. These taxes are due on August 31 with the final collection date of February 15 before they are added to the county tax rolls. The City 2003 tax roll millage rate was 18.0416 mills, and the taxable value was \$17,155,719.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the City as assets with an initial cost of more than \$1,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

| | |
|-------------------------|-------------|
| Buildings | 20-30 years |
| Furniture and equipment | 3-10 years |

CITY OF WHITE CLOUD
Newaygo County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Compensated Absences (Vacation and Sick Leave)

The estimated current portion of the liability for vacation and sick leave benefits attributable to the City's governmental funds is recorded as an expenditure and liability in the respective funds. The amounts attributable to proprietary funds are charged to expense and a corresponding liability in the applicable fund. Employees may accumulate up to 150 days of vacation and unused sick leave for which they are paid upon termination of employment.

Post-employment Benefits

The City provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change

Effective July 1, 2003, the City implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the City's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the City's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the City's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$3,214,035.92.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the City Council for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the City Council.
5. The budgets are adopted on the modified accrual basis of accounting.

CITY OF WHITE CLOUD
Newaygo County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2004

Note 2 – Budgets and Budgetary Accounting (continued)

6. The originally adopted budgets can be amended during the year only by a majority vote of the City Council.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the City Council during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the City to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The City Council has designated four banks for the deposit of City funds. The investment policy adopted by the Council in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The City's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

| | <u>Carrying Amounts</u> | | |
|----------------|-------------------------------|---------------------------|-------------------|
| | <u>Primary Government</u> | <u>Component Unit</u> | <u>Total</u> |
| Total Deposits | <u>418 953 01</u> | <u>15 191 78</u> | <u>434 144 79</u> |

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

| | <u>Bank Balances</u> | | |
|--------------------------------|-------------------------------|---------------------------|-------------------|
| | <u>Primary Government</u> | <u>Component Unit</u> | <u>Total</u> |
| Insured (FDIC) | 274 377 09 | 15 467 78 | 289 844 87 |
| Uninsured and Uncollateralized | <u>149 232 51</u> | <u>-</u> | <u>149 232 51</u> |
| Total Deposits | <u>423 609 60</u> | <u>15 467 78</u> | <u>439 077 38</u> |

The City's investments are categorized below to give an indication of the level of risk assumed by the City. Risk category 1 includes those investments that meet any one of the following criteria: insured, registered, or held by the City or its agent. Risk categories 2 and 3 include investments that are neither

CITY OF WHITE CLOUD
Newaygo County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2004

Note 3 – Deposits and Investments (continued)

insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the City's name. Category 3 includes investments held by the counterparty or the counterparty's trust department (or agent) but not in the City's name.

The GASB Statement No. 3 risk disclosures for the City's investments are categorized as follows:

| <u>Investment Type</u> | <u>(1)</u> | <u>(2)</u> | <u>(3)</u> | <u>Carrying Amount</u> |
|---|------------|------------|------------|------------------------|
| Risk-Categorized: Operating Funds | - | - | - | - |
| Total Risk-Categorized Investments | - | - | - | - |
| Nonrisk-Categorized: Financial Institution Pooled Funds | | | | 173 110 49 |
| Total Investments – Primary Government | | | | 173 110 49 |

The financial institution pooled funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above.

Note 4 – Capital Assets

Capital asset activity of the City's Governmental activities for the current year was as follows:

| | <u>Balance 7/1/03</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance 6/30/04</u> |
|-------------------------------------|---------------------------|------------------|------------------|----------------------------|
| <u>Governmental Activities:</u> | | | | |
| Land and improvements | 3 010 100 00 | - | 100 00 | 3 010 000 00 |
| Buildings and improvements | 363 555 75 | 4 944 25 | - | 368 500 00 |
| Equipment | 365 899 78 | 9 530 00 | 100 00 | 375 329 78 |
| Total | 3 739 555 53 | 14 474 25 | 200 00 | 3 753 829 78 |
| Accumulated Depreciation | (498 170 30) | (41 623 56) | - | (539 793 86) |
| Net Governmental Capital Assets | 3 241 385 23 | (27 149 31) | 200 00 | 3 214 035 92 |
| <u>Business Type Activities:</u> | | | | |
| Water System | 1 909 274 08 | 15 981 57 | - | 1 925 255 65 |
| Accumulated Depreciation | (807 719 21) | (51 429 07) | - | (859 148 28) |
| Net Business Type Capital Assets | 1 101 554 87 | (35 447 50) | - | 1 066 107 37 |

CITY OF WHITE CLOUD
Newaygo County, Michigan

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 4 -- Capital Assets (continued)

| <u>Component Unit</u> | <u>Balance 7/1/03</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance 6/30/04</u> |
|--------------------------------------|---------------------------|------------------|------------------|----------------------------|
| Land | - | 28 839 96 | - | 28 839 96 |
| Equipment | - | 4 905 27 | - | 4 905 27 |
| Total | - | 33 745 23 | - | 33 745 23 |
| Accumulated Depreciation | - | (490 53) | - | (490 53) |
| Net Component Unit Capital Assets | - | 33 254 70 | - | 33 254 70 |

Note 5 -- Deferred Compensation Plan

The City of White Cloud offers all of its' employees a choice of three deferred compensation plans created in accordance with the Internal Revenue Code, Section 457. The assets of the plans were held in trust, (a custodial account) as described in IRC Section 457 (g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of these Section 457 plans, and the assets may not be diverted to any other use. The administrators are agents of the City of White Cloud for the purposes of providing direction to the custodian of the custodial account for time to time for the investment of the funds held in account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the City of White Cloud's financial statements.

Note 6 -- Pension Plan

Plan Description

The City has a defined benefit pension plan covering substantially all full-time employees. The plan is operated by the State of Michigan Municipal Employees Retirement System (MERS), which is a cost-sharing multiple-employer retirement system.

The pension plan provides pension, death and disability benefits. Benefits vest after 10 years of service. Normal retirement is based on one of the following requirements:

1. Age 60 and 10 or more years of credited service.
2. Age 55 and 20 or more years of credited service.
3. Age 55 and 15 or more years of credited service (reduced benefit).
4. Age 50 and 25 or more years of credited service.

The City's current year covered payroll and its total current year payroll for all employees amounted to \$183,423.52 and \$273,823.52 respectively.

CITY OF WHITE CLOUD
Newaygo County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2004

Note 6 – Pension Plan (continued)

Plan Description

Pension Benefit Obligation

The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2003. Significant actuarial assumptions used in determining the pension benefit obligation include (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (c) additional projected salary increases of 4.5% per year, depending on age, attributable to seniority/merit, and (d) the assumption that benefits will increase 2.5% per year (annually) after retirement, for persons under Benefit E-1 or E-2.

Actuarial Accrued Liability:

| | |
|--|------------------|
| Retirees and beneficiaries currently receiving benefits | \$57,274 |
| Terminated employees not yet receiving benefits | 108,241 |
| Current employees – Accumulated employee contributions including allocated investment income | 0 |
| Employer financed | <u>250,840</u> |
| Total Actuarial Accrued Liability | 416,355 |
| Net Assets Available for Benefits, at Actuarial Value (Market Value is \$28,073) | <u>268,310</u> |
| Overfunded (Unfunded) Actuarial Accrual Liability | <u>(148,045)</u> |

Contributions Required and Contributions Made

MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The annual required contribution for the fiscal year beginning July 1, 2005, is \$28,692.00 with an amortization factor used of 0.051679.

Total employer contributions made during the fiscal year ended June 30, 2004, amounted to \$26,964.13.

CITY OF WHITE CLOUD
Newaygo County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2004

Note 7 – Changes in Long-Term Debt

A summary of changes in long-term debt follows:

| | <u>Balance 7/1/03</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance 6/30/04</u> |
|---------------------------------------|---------------------------|------------------|-------------------|----------------------------|
| Loan payable – MEDC | 244 922 00 | 36 191 96 | - | 281 113 96 |
| Bonds payable – water 1999 revenue | 768 000 00 | - | 19 500 00 | 748 500 00 |
| Note payable – Chevrolet Impala | 16 973 78 | - | 4 814 46 | 12 159 32 |
| Note payable – dump truck | 14 097 40 | - | 5 394 49 | 8 702 91 |
| Accrued compensated absences | 18 531 06 | - | 1 093 02 | 17 438 04 |
| Total | <u>1 062 524 24</u> | <u>36 191 96</u> | <u>30 801 97</u> | <u>1 067 914 23</u> |

Note 8 – Loan Payable – MEDC

On June 19, 2001, the City of White Cloud obtained a loan from the Michigan Economic Development Corporation in the amount of \$281,113.96 to partially fund infrastructure improvement in the City's industrial park. During the term of the project, June 1, 2001, to May 31, 2006, the City may earn credits up to 50% of the principal balance, for qualifying net new jobs created and added to the existing job base. Principal and interest payments are to be made quarterly beginning June 1, 2004, through June 1, 2016. The loan bears interest at the rate of 6.0% per annum. As of June 30, 2004, the City had recognized \$281,113.96 of the loan proceeds.

Note 9 – Water Supply System Revenue Bonds, Series 1999

On September 30, 1999, the City issued \$827,162.00 of its bonds to fund the acquisition, construction and installation of improvements to the City's existing water supply system including but not limited to, water tower replacement and water system transmission extensions and improvements. The bond principal and interest at the rate of 2.5% per annum, are to be repaid from the revenues of the Water Fund. As of June 30, 2004, the outstanding bond principal was \$748,500.00 and it is recorded as a liability in the Water Fund. The debt service schedule is as follows:

| <u>Due Date</u> | <u>Principal Amount</u> | <u>Interest Amount</u> | <u>Total Amount</u> |
|---------------------|-----------------------------|----------------------------|-------------------------|
| 10/1/04 | \$19 500 00 | \$9 356 25 | \$28 856 25 |
| 4/1/05 | - | 9 112 50 | 9 112 50 |
| 10/1/05 | 19 500 00 | 9 112 50 | 28 612 50 |
| 4/1/06 | - | 8 868 75 | 8 868 75 |
| 10/1/06 | 19 500 00 | 8 868 75 | 28 368 75 |
| 4/1/07 | - | 8 625 00 | 8 625 00 |
| 10/1/07 | 24 500 00 | 8 625 00 | 33 125 00 |
| 4/1/08 | - | 8 318 75 | 8 318 75 |
| 10/1/08 | 24 500 00 | 8 318 75 | 32 818 75 |

CITY OF WHITE CLOUD
Newaygo County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2004

Note 9 – Water Supply System Revenue Bonds, Series 1999 (continued)

| <u>Due Date</u> | <u>Principal Amount</u> | <u>Interest Amount</u> | <u>Total Amount</u> |
|---------------------|-----------------------------|----------------------------|-------------------------|
| 4/1/09 | - | 8 012 50 | 8 012 50 |
| 10/1/09 | 24 500 00 | 8 012 50 | 32 512 50 |
| 4/1/10 | - | 7 706 25 | 7 706 25 |
| 10/1/10 | 24 500 00 | 7 706 25 | 32 206 25 |
| 4/1/11 | - | 7 400 00 | 7 400 00 |
| 10/1/11 | 24 500 00 | 7 400 00 | 31 900 00 |
| 4/1/12 | - | 7 093 75 | 7 093 75 |
| 10/1/12 | 24 500 00 | 7 093 75 | 31 593 75 |
| 4/1/13 | - | 6 787 50 | 6 787 50 |
| 10/1/13 | 24 500 00 | 6 787 50 | 31 287 50 |
| 4/1/14 | - | 6 481 25 | 6 481 25 |
| 10/1/14 | 24 500 00 | 6 481 25 | 30 981 25 |
| 4/1/15 | - | 6 175 00 | 6 175 00 |
| 10/1/15 | 24 500 00 | 6 175 00 | 30 675 00 |
| 4/1/16 | - | 5 868 75 | 5 868 75 |
| 10/1/16 | 29 500 00 | 5 868 75 | 35 368 75 |
| 4/1/17 | - | 5 500 00 | 5 500 00 |
| 10/1/17 | 30 000 00 | 5 500 00 | 35 500 00 |
| 4/1/18 | - | 5 125 00 | 5 125 00 |
| 10/1/18 | 30 000 00 | 5 125 00 | 35 125 00 |
| 4/1/19 | - | 4 750 00 | 4 750 00 |
| 10/1/19 | 30 000 00 | 4 750 00 | 34 750 00 |
| 4/1/20 | - | 4 375 00 | 4 375 00 |
| 10/1/20 | 30 000 00 | 4 375 00 | 34 375 00 |
| 4/1/21 | - | 4 000 00 | 4 000 00 |
| 10/1/21 | 30 000 00 | 4 000 00 | 34 000 00 |
| 4/1/22 | - | 3 625 00 | 3 625 00 |
| 10/1/22 | 35 000 00 | 3 625 00 | 38 625 00 |
| 4/1/23 | - | 3 187 50 | 3 187 50 |
| 10/1/23 | 35 000 00 | 3 187 50 | 38 187 50 |
| 4/1/24 | - | 2 750 00 | 2 750 00 |
| 10/1/24 | 35 000 00 | 2 750 00 | 37 750 00 |
| 4/1/25 | - | 2 312 50 | 2 312 50 |
| 10/1/25 | 35 000 00 | 2 312 50 | 37 312 50 |
| 4/1/26 | - | 1 875 00 | 1 875 00 |
| 10/1/26 | 35 000 00 | 1 875 00 | 36 875 00 |
| 4/1/27 | - | 1 437 50 | 1 437 50 |
| 10/1/27 | 35 000 00 | 1 437 50 | 36 437 50 |
| 4/1/28 | - | 1 000 00 | 1 000 00 |
| 10/1/28 | 40 000 00 | 1 000 00 | 41 000 00 |
| 4/1/29 | - | 500 00 | 500 00 |
| 10/1/29 | 40 000 00 | 500 00 | 40 500 00 |
| Total | <u>\$748 500 00</u> | <u>\$271 131 25</u> | <u>\$1 019 631 25</u> |

CITY OF WHITE CLOUD
Newaygo County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2004

Note 10 – Equipment Fund Notes Payable

Note Payable – Chevrolet Impala: On November 25, 2002, the City acquired a Chevrolet Impala for \$20,377.78, through a note payable to GMAC. The agreement requires twelve quarterly payments in the amount of \$1,849.07 which includes principal and interest at the rate of 6.35% per annum. As of June 30, 2004, \$12,159.32 of the principal remained outstanding.

Note Payable – Dump Truck: On December 13, 2000, the City acquired an International Dump Truck for \$26,300.00, through a note payable to Independent Bank West. The agreement requires twenty quarterly payments in the amount of \$1,525.44, which includes principal and interest at the rate of 5.75% per annum. As of June 30, 2004, \$8,702.91, of the principal remained outstanding.

Note 11 – Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The City has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 12 – Building Permits

The City of White Cloud does not issue building permits. Building permits are issued by the County of Newaygo.

CITY OF WHITE CLOUD
Newaygo County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended June 30, 2004

| | Original Budget | Final Budget | Actual | Variance with Final Budget Over (Under) |
|--|--------------------|-------------------|-------------------|--|
| Revenues: | | | | |
| Property taxes | 263 000 00 | 263 000 00 | 261 500 30 | (1 499 70) |
| Licenses and permits | 12 790 00 | 12 790 00 | 1 943 75 | (10 846 25) |
| State revenue sharing | 173 550 00 | 173 550 00 | 177 096 26 | 3 546 26 |
| Charges for services | 22 750 00 | 22 750 00 | 16 733 37 | (6 016 63) |
| Fines and forfeits | 6 550 00 | 6 550 00 | 6 061 67 | (488 33) |
| Interest | 2 000 00 | 2 000 00 | 3 455 38 | 1 455 38 |
| Rents | 6 000 00 | 6 000 00 | 14 100 00 | 8 100 00 |
| Miscellaneous | 47 850 00 | 107 850 00 | 113 668 27 | 5 818 27 |
| Total revenues | <u>534 490 00</u> | <u>594 490 00</u> | <u>594 559 00</u> | <u>69 00</u> |
| Expenditures: | | | | |
| Legislative: | | | | |
| City Council and Mayor | 12 352 00 | 14 102 00 | 13 086 79 | (1 015 21) |
| General government: | | | | |
| Elections | 2 600 00 | 2 600 00 | 1 562 52 | (1 037 48) |
| Assessor | 9 005 00 | 9 290 00 | 9 255 36 | (34 64) |
| Building and grounds | 50 562 00 | 55 174 00 | 46 987 33 | (8 186 67) |
| Manager and Clerk | 85 770 00 | 88 508 00 | 75 884 52 | (12 623 48) |
| Board of Review | 930 00 | 960 00 | 951 41 | (8 59) |
| Treasurer | 32 312 00 | 33 022 00 | 20 604 51 | (12 417 49) |
| Public relations | 10 000 00 | 12 560 00 | 10 927 68 | (1 632 32) |
| Unallocated | 40 700 00 | 24 430 00 | 23 436 72 | (993 28) |
| Public safety: | | | | |
| Police protection | 142 802 00 | 154 192 00 | 144 153 81 | (10 038 19) |
| Fire protection | 21 500 00 | 21 610 00 | 21 609 91 | (09) |
| Zoning | 10 532 00 | 10 666 00 | 9 876 73 | (789 27) |
| Public works: | | | | |
| Department of Public Works | 76 024 00 | 102 245 00 | 97 503 15 | (4 741 85) |
| Dam | 700 00 | 700 00 | 84 00 | (616 00) |
| Airport | 3 000 00 | 3 000 00 | 2 865 00 | (135 00) |
| Recreation and culture: | | | | |
| Parks and recreation | 16 092 00 | 22 182 00 | 18 318 85 | (3 863 15) |
| Capital outlay | <u>11 500 00</u> | <u>11 500 00</u> | <u>11 275 25</u> | <u>(224 75)</u> |
| Total expenditures | <u>526 381 00</u> | <u>566 741 00</u> | <u>508 383 54</u> | <u>(58 357 46)</u> |
| Excess (deficiency) of revenues over expenditures | 8 109 00 | 27 749 00 | 86 175 46 | 58 426 46 |
| Fund balance, July 1 | <u>-</u> | <u>-</u> | <u>147 443 55</u> | <u>147 443 55</u> |
| Fund Balance, June 30 | <u>8 109 00</u> | <u>27 749 00</u> | <u>233 619 01</u> | <u>205 870 01</u> |

CITY OF WHITE CLOUD
Newaygo County, Michigan

BUDGETARY COMPARISON SCHEDULE – MAJOR STREET FUND
Year ended June 30, 2004

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Over (Under)</u> |
|--|----------------------------|-------------------------|-------------------|--|
| Revenues: | | | | |
| State revenue sharing | 75 700 00 | 87 700 00 | 88 468 47 | 768 47 |
| Interest | 200 00 | 200 00 | 473 40 | 273 40 |
| Miscellaneous | <u>134 631 00</u> | <u>101 931 00</u> | <u>61 781 26</u> | <u>(40 149 74)</u> |
| Total revenues | <u>210 531 00</u> | <u>189 831 00</u> | <u>150 723 13</u> | <u>(39 107 87)</u> |
| Expenditures: | | | | |
| Public works: | | | | |
| Highways and streets | <u>210 531 00</u> | <u>170 451 00</u> | <u>161 914 48</u> | <u>(8 536 52)</u> |
| Total expenditures | <u>210 531 00</u> | <u>170 451 00</u> | <u>161 914 48</u> | <u>(8 536 52)</u> |
| Excess (deficiency) of revenues over expenditures | - | 19 380 00 | (11 191 35) | (30 571 35) |
| Fund balance, July 1 | <u>-</u> | <u>-</u> | <u>88 683 79</u> | <u>88 683 79</u> |
| Fund Balance, June 30 | <u>-</u> | <u>19 380 00</u> | <u>77 492 44</u> | <u>58 112 44</u> |

CITY OF WHITE CLOUD
Newaygo County, Michigan

BUDGETARY COMPARISON SCHEDULE – IMPROVEMENT REVOLVING FUND
Year ended June 30, 2004

| | Original Budget | Final Budget | Actual | Variance with Final Budget Over (Under) |
|--|--------------------|-----------------|-------------|--|
| Revenues: | | | | |
| Federal grants | - | 241 188 00 | 174 258 29 | (66 929 71) |
| Total revenues | - | 241 188 00 | 174 258 29 | (66 929 71) |
| Expenditures: | | | | |
| General government: | | | | |
| Building and grounds | - | 332 749 61 | 218 309 74 | (114 439 87) |
| Total expenditures | - | 332 749 61 | 218 309 74 | (114 439 87) |
| Excess (deficiency) of revenues over expenditures | - | (91 561 61) | (44 051 45) | 47 510 16 |
| Other financing sources (uses): | | | | |
| Loan proceeds | - | 113 468 00 | 36 191 96 | (77 276 04) |
| Total other financing sources (uses) | - | 113 468 00 | 36 191 96 | (77 276 04) |
| Excess (deficiency) of revenues and other sources over expenditures and other uses | - | 21 906 39 | (7 859 49) | (29 765 88) |
| Fund balance, July 1 | - | - | 7 859 49 | 7 859 49 |
| Fund Balance, June 30 | - | 21 906 39 | - | (21 906 39) |

CITY OF WHITE CLOUD
Newaygo County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended June 30, 2004

| | |
|---------------------------|------------------|
| City Council and Mayor: | |
| Salaries and wages | 5 250 00 |
| Social security | 160 68 |
| Workmen's compensation | 100 00 |
| Contracted services | 909 20 |
| Printing and publishing | 2 819 75 |
| Miscellaneous | 1 551 16 |
| Training and memberships | 2 296 00 |
| | <u>13 086 79</u> |
| Elections: | |
| Salaries and wages | 398 98 |
| Postage | 15 82 |
| Contracted services | 554 68 |
| Printing and publishing | 593 04 |
| | <u>1 562 52</u> |
| Assessor: | |
| Contracted services | 8 400 00 |
| Supplies | 766 39 |
| Miscellaneous | 88 97 |
| | <u>9 255 36</u> |
| Building and grounds: | |
| Wages | 9 044 15 |
| Social security | 575 40 |
| Hospitalization insurance | 4 367 18 |
| Retirement | 1 378 04 |
| Contracted services | 10 852 72 |
| Supplies | 6 036 03 |
| Postage | 1 404 17 |
| Communications | 6 415 75 |
| Utilities | 4 503 22 |
| Repairs and maintenance | 1 655 78 |
| Miscellaneous | 754 89 |
| | <u>46 987 33</u> |
| Manager and Clerk: | |
| Salaries and wages | 51 134 90 |
| Social security | 4 181 91 |
| Hospitalization insurance | 9 935 74 |
| Retirement | 6 238 91 |
| Life insurance | 558 82 |
| Miscellaneous | 239 78 |
| Training and membership | 3 594 46 |
| | <u>75 884 52</u> |
| Board of Review: | |
| Salaries and wages | 810 00 |
| Printing and publishing | 141 41 |
| | <u>951 41</u> |
| Treasurer: | |
| Salaries and wages | 13 422 65 |
| Social security | 1 145 35 |
| Hospitalization | 576 57 |
| Retirement | 1 359 64 |
| Life insurance | 180 01 |
| Professional services | 2 322 29 |
| Training and memberships | 1 598 00 |
| | <u>20 604 51</u> |

CITY OF WHITE CLOUD
Newaygo County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended June 30, 2004

| | |
|-----------------------------|------------------|
| Public relations: | |
| Supplies | 10 491 68 |
| Miscellaneous | <u>436 00</u> |
| | 10 927 68 |
| Unallocated: | |
| Audit | 2 100 00 |
| Liability insurance | 10 130 00 |
| Miscellaneous | 2 448 67 |
| City hall expenses | 5 758 05 |
| Economic development | <u>3 000 00</u> |
| | 23 436 72 |
| Police protection: | |
| Salaries and wages | 94 128 59 |
| Social security | 7 659 02 |
| Hospitalization | 11 560 37 |
| Retirement | 5 601 03 |
| Life insurance | 505 73 |
| Workmen's compensation | 1 786 00 |
| Office supplies | 1 525 21 |
| Uniform expense | 759 67 |
| Professional services | 3 273 00 |
| Gas and oil | 2 942 55 |
| Wrecker fees | 2 140 00 |
| Liability insurance | 2 550 00 |
| Repairs and maintenance | 1 314 72 |
| Miscellaneous | 707 92 |
| Training and memberships | 300 00 |
| Equipment rental | <u>7 400 00</u> |
| | 144 153 81 |
| Fire protection: | |
| Contracted services | <u>21 609 91</u> |
| Zoning: | |
| Salaries and wages | 7 183 36 |
| Social security | 610 36 |
| Retirement | 1 047 98 |
| Miscellaneous | <u>1 035 03</u> |
| | 9 876 73 |
| Department of Public Works: | |
| Wages | 41 709 37 |
| Social security | 3 359 13 |
| Health insurance | 1 587 56 |
| Hospitalization insurance | 3 945 56 |
| Retirement | 3 345 07 |
| Life insurance | 276 29 |
| Operating supplies | 4 615 75 |
| Gas and oil | 6 315 88 |
| Uniform expense | 1 080 00 |
| Liability insurance | 800 00 |
| Utilities | 5 671 81 |
| Street lighting | 21 118 10 |
| Repairs and maintenance | 2 339 14 |
| Miscellaneous | <u>1 339 49</u> |
| | 97 503 15 |

CITY OF WHITE CLOUD
Newaygo County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended June 30, 2004

| | |
|-------------------------|--------------------------|
| Dam: | |
| Utilities | <u>84 00</u> |
| Parks and recreation: | |
| Salaries and wages | 7 524 30 |
| Social security | 487 97 |
| Repairs and maintenance | 1 923 95 |
| Utilities | 3 739 20 |
| Operating supplies | 3 773 76 |
| Miscellaneous | 319 67 |
| Liability insurance | <u>550 00</u> |
| | <u>18 318 85</u> |
| Airport: | |
| Contracted services | <u>2 865 00</u> |
| Capital outlay | <u>11 275 25</u> |
| Total Expenditures | <u><u>508 383 54</u></u> |

CITY OF WHITE CLOUD
Newaygo County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS
June 30, 2004

| | <u>M.V.H - Major Street</u> | <u>M.V.H. - Local Street</u> | <u>Cemetery</u> | <u>Park</u> | <u>Improvement Revolving</u> |
|--------------------------------------|---------------------------------|----------------------------------|------------------|-----------------|----------------------------------|
| <u>Assets</u> | | | | | |
| Cash in bank | 33 167 62 | 14 961 35 | 7 884 51 | 1 211 41 | - |
| Investments | 33 167 63 | 14 961 34 | 7 884 51 | 1 211 41 | - |
| Due from State of Michigan | <u>14 842 55</u> | <u>5 869 54</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Assets | <u>81 177 80</u> | <u>35 792 23</u> | <u>15 769 02</u> | <u>2 422 82</u> | <u>-</u> |
| <u>Liabilities and Fund Balances</u> | | | | | |
| Liabilities: | | | | | |
| Accrued compensated absences | <u>3 685 36</u> | <u>1 654 69</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total liabilities | <u>3 685 36</u> | <u>1 654 69</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balances: | | | | | |
| Unreserved: | | | | | |
| Undesignated | <u>77 492 44</u> | <u>34 137 54</u> | <u>15 769 02</u> | <u>2 422 82</u> | <u>-</u> |
| Total fund balances | <u>77 492 44</u> | <u>34 137 54</u> | <u>15 769 02</u> | <u>2 422 82</u> | <u>-</u> |
| Total Liabilities and Fund Balances | <u>81 177 80</u> | <u>35 792 23</u> | <u>15 769 02</u> | <u>2 422 82</u> | <u>-</u> |

Total

57 224 89

57 224 89

20 712 09

135 161 87

5 340 05

5 340 05

129 821 82

129 821 82

135 161 87

CITY OF WHITE CLOUD
Newaygo County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS
Year ended June 30, 2004

| | <u>M.V.H - Major Street</u> | <u>M.V.H. - Local Street</u> | <u>Cemetery</u> | <u>Park</u> | <u>Improvement Revolving</u> |
|--|---------------------------------|----------------------------------|------------------|-------------------|----------------------------------|
| Revenues: | | | | | |
| State revenue sharing | 88 468 47 | 34 536 25 | - | - | - |
| Federal grants | - | - | - | - | 174 258 29 |
| Charges for services | - | - | 7 650 00 | 3 251 39 | - |
| Interest | 473 40 | 218 70 | 119 34 | 67 74 | - |
| Special assessments | - | 5 936 00 | - | - | - |
| Miscellaneous | <u>61 781 26</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total revenues | <u>150 723 13</u> | <u>40 690 95</u> | <u>7 769 34</u> | <u>3 319 13</u> | <u>174 258 29</u> |
| Expenditures: | | | | | |
| General government: | | | | | |
| Building and grounds | - | - | - | - | 218 309 74 |
| Cemetery | - | - | 5 663 52 | - | - |
| Public works: | | | | | |
| Construction | 96 964 54 | - | - | - | - |
| Routine maintenance | 47 002 82 | 29 048 81 | - | - | - |
| Traffic services | 340 44 | - | - | - | - |
| Winter maintenance | 11 008 26 | 4 931 02 | - | - | - |
| Truckline maintenance | 1 000 00 | - | - | - | - |
| Administration | 5 598 42 | 2 408 56 | - | - | - |
| Recreation and culture: | | | | | |
| Parks and recreation | <u>-</u> | <u>-</u> | <u>-</u> | <u>7 097 00</u> | <u>-</u> |
| Total expenditures | <u>161 914 48</u> | <u>36 388 39</u> | <u>5 663 52</u> | <u>7 097 00</u> | <u>218 309 74</u> |
| Excess (deficiency) of revenues over expenditures | <u>(11 191 35)</u> | <u>4 302 56</u> | <u>2 105 82</u> | <u>(3 777 87)</u> | <u>(44 051 45)</u> |
| Other financing sources (uses): | | | | | |
| Loan proceeds | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>36 191 96</u> |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>36 191 96</u> |
| Excess (deficiency) of revenues and other sources over expenditures and other uses | <u>(11 191 35)</u> | <u>4 302 56</u> | <u>2 105 82</u> | <u>(3 777 87)</u> | <u>(7 859 49)</u> |
| Fund balances, July 1 | <u>88 683 79</u> | <u>29 834 98</u> | <u>13 663 20</u> | <u>6 200 69</u> | <u>7 859 49</u> |
| Fund Balances, June 30 | <u>77 492 44</u> | <u>34 137 54</u> | <u>15 769 02</u> | <u>2 422 82</u> | <u>-</u> |

Total

123 004 72

174 258 29

10 901 39

879 18

5 936 00

61 781 26

376 760 84

218 309 74

5 663 52

96 964 54

76 051 63

340 44

15 939 28

1 000 00

8 006 98

7 097 00

429 373 13

(52 612 29)

36 191 96

36 191 96

(16 420 33)

146 242 15

129 821 82

CITY OF WHITE CLOUD
Newaygo County, Michigan

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -AGENCY FUND
Year ended June 30, 2004

| | <u>Balance</u> <u>7/1/03</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>6/30/04</u> |
|--------------------|---------------------------------|------------------|-------------------|----------------------------------|
| <u>AGENCY FUND</u> | | | | |
| <u>Assets</u> | | | | |
| Cash in Bank | <u>1 200 00</u> | <u>-</u> | <u>1 200 00</u> | <u>-</u> |
| <u>Liabilities</u> | | | | |
| Due to others | <u>1 200 00</u> | <u>-</u> | <u>1 200 00</u> | <u>-</u> |
| Total Liabilities | <u>1 200 00</u> | <u>-</u> | <u>1 200 00</u> | <u>-</u> |

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707

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FAX (989) 894-5494

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

October 1, 2004

To the City Council
City of White Cloud
Newaygo County, Michigan

We have audited the financial statements of the City of White Cloud, Newaygo County, Michigan, as of and for the year ended June 30, 2004, and have issued our report thereon dated October 1, 2004. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether City of White Cloud's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control over Financial Reporting

In planning and performing our audit, we considered City of White Cloud's internal control over financial reporting in order to determine our auditing procedures for the purposes of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our study and evaluation disclosed the following condition that we believe to be a material weakness for which management believes corrective action is not practicable in the circumstances. Within the present plan of organization of the City there is an inadequate control over cash transactions caused by an inadequate segregation of duties which is due to the limited number of office personnel employed. Such study and evaluation disclosed no conditions that we believe to be material weaknesses for which corrective action by management is practicable in the circumstances.

This report is intended for the information of management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

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CERTIFIED PUBLIC ACCOUNTANTS

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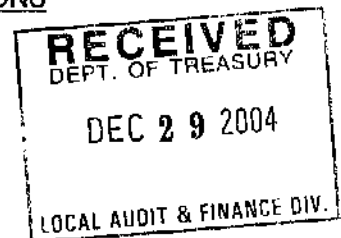
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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

October 1, 2004

To the City Council
City of White Cloud
Newaygo County, Michigan



We have audited the financial statements of the City of White Cloud for the year ended June 30, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the City of White Cloud in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the City Council
City of White Cloud
Newaygo County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended June 30, 2004. The implementation of this pronouncement for the City of White Cloud began with the year ended June 30, 2004. The daily operations and recording transactions did not change significantly, however, the City is required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the City's financial statements and this communication of these matters does not affect our report on the City's financial statements, dated June 30, 2004.

To the City Council
City of White Cloud
Newaygo County, Michigan

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants